

# States' Health Care Reform Initiatives

---

*Presented to the:*  
**Long-Term Care and Medicaid Reform  
Subcommittee**

October 17, 2007

**Stephen W. Bowman**  
Senior Staff Attorney/Methodologist

1

## Agenda

---

- ☐ State Health Care Reform Themes
- ☐ Massachusetts
- ☐ Pennsylvania
- ☐ Tennessee
- ☐ Vermont
- ☐ Virginia

2

## State Health Care Reform Themes

- ❑ Offer insurance products with different premiums based on ability to pay
- ❑ Increase Medicaid eligibility levels
- ❑ Manage chronic disease conditions
- ❑ Establish incentives and penalties
  - Tax credits for businesses providing health insurance (HI) coverage
  - Fees for larger employers that do not provide health insurance

3

## SCHIP Is Central to Many States' Reform Efforts

### State Children's Health Insurance Program (SCHIP)

- Federal Government pays 65%
- U.S. enrollment (2005)
  - ❑ Over 6 million children
  - ❑ 600,000 adults
- The various states' universal coverage plans all require significant SCHIP funds

### State Coverage Initiatives for Children



# The Massachusetts Context

- Experiencing double-digit annual increases in insurance premiums
  - Small businesses and individuals facing significant barriers to coverage
- The highest per capita healthcare spending in the nation
- An estimated 550,000 uninsured individuals (≈10 percent of the total population)
  - National Average = 16 percent uninsured (Kaiser Commission)
  - Virginia Estimate = 15 percent (2001 VHCF Survey)
- 68 percent rate of employer sponsored insurance coverage compared to national average of 61 percent (Kaiser Commission)

18

Slide 18 from DMAS “Medicaid Reform” presentation to JCHC, August 22, 2006.

## Massachusetts

### Overview

- All adults required to purchase health insurance by July 1, 2007
- Merge small and individual insurance markets
- Individuals 300% the Federal Poverty Level (FPL) will receive no public subsidy
- 90,000 previously uninsured adults are now enrolled in state-subsidized private health insurance coverage

### Coverage

- Universal requirement, except for individuals that choose to pay tax penalty
- Minimum Credible Coverage
  - Caps deductibles
    - \$2,000 for individuals
    - \$4,000 for families
  - Limits out-of-pocket spending
    - \$5,000 for individuals
    - \$10,000 for families

# Massachusetts

## Financing

- Additional general funds
- Employer Contributions
- Redistribute existing funding
  - Medicaid
  - Uncompensated Care pool
- Total Cost for FY 2008 - \$1.7b
  - \$981m Federal Medicaid
  - \$338m State GF
  - \$160m Insurance Surcharge
  - \$160m Hospital Assessment
  - \$ 24m Employer Assessment
  - \$ 60m Other

## Responsibilities

- All employers (ER) with 11 or more employees (EE) must:
  - provide HI coverage or
    - pay up to \$295 per EE per year
  - permit EE purchases of insurance with pre-tax dollars or
    - surcharge
- Commonwealth Care provides premium assistance for individuals
  - Under 150% FPL - \$0 premium
  - 150%-300% FPL – Reduced premium

Sources: Massachusetts Health Care Reform Plan: An Update, Kaiser Family Foundation, June 2007

7

# Pennsylvania

## Overview

- Create “Cover All Pennsylvanians” (CAP)
  - Small business and individual private insurance product

### Additional Reform:

- Decrease Hospital-Acquired Infections
  - HC facilities must implement infection control plan
  - Report infections
  - If 10% improvement, facility qualifies for additional payment

## Coverage

- Businesses can participate if:
  - Under 50 EEs
  - EE average salary under state average salary (currently \$40,000)
  - No health care offering in last 6 months
- Pennsylvanians making <300% FPL can receive a subsidy
- Uninsured adults > 300% FPL can participate (\$280/month)

Sources: Summary: Pennsylvania Health Care Reform Act, Governor's Office of Health Care Reform, Governor Rendell Says New Health Reform Measures Could be 'Prescription for Nation', Office of the Governor, July 20, 2007

8

# Pennsylvania

## Financing

- Fair Share Tax
  - Businesses taxed 3% of wages paid
    - 3.5% after FY 2010
    - Credits available for offering HI coverage to EEs

## Responsibilities

- ER pay \$130/month per EE
- EE pay from \$10-\$70
- Insurers use modified community rating
  - Use only: age, region, and family composition
  - Vary rates by no more than 33%
  - Must offer CAP plan if small group or individual plans offered
- All college students must have HI coverage

Sources: Summary: Pennsylvania Health Care Reform Act, Governor's Office of Health Care Reform,  
Governor Rendell Says New Health Reform Measures Could be 'Prescription for Nation', Office of the Governor, July 20, 2007

9

# Tennessee

## Overview

- Cover Tennessee
  - AccessTN — comprehensive HI for the uninsurable
  - CoverTN — basic individual HI for EEs of qualified small businesses and the working uninsured
  - CoverKids — comprehensive HI for children

## Coverage

- AccessTN
  - Qualifications:
    - 2 insurance refusals or for qualified medical condition
    - No coverage for 6 months
  - Premiums capped
- CoverTN
  - No out-of-pocket maximum
  - No Deductible
  - Limited benefits
- CoverKids
  - Under 250% FPL

Source: Frequently Asked Questions, Cover Tennessee website  
<http://www.covertn.gov/web/faq.html> last accessed October 2, 2007

10

# Tennessee

## Financing

- Premiums
- Health Care Safety Net program
- Savings from Medicaid changes
- State revenue
- Federal funding (CoverKids, AccessTN)
- Insurance industry assessment (AccessTN)

**Cost: \$251 million (3 years)**

## Responsibilities

- AccessTN participant pays 60% of average member
  - premium assistance for those >250% FPL
- CoverTN participant – State=1/3 & ER and EE=2/3
- CoverKids pays co-payments but no premiums
  - annual out-of-pocket expenditures cannot exceed 5% annual household income

Source: Frequently Asked Questions, Cover Tennessee website  
<http://www.covertn.gov/web/faq.html> last accessed October 2, 2007

11

# Vermont

## Overview

- New state-supported individual insurance product if:
  - Uninsured over 12 months
  - Not eligible for most existing state insurance programs
- Available October 1, 2007

## Coverage

- Goal is 96% of Vermont adults to have insurance coverage
- Plan specifics
  - \$250 deductible
  - 20% coinsurance
  - \$10 office visit co-pay
  - \$0 prescription deductible
  - \$0 out-of-pocket preventative and chronic care
  - \$800 out-of-pocket maximum

Source: Recently enacted state coverage programs:Vermont, State Coverage Initiatives, [www.statecoverage.net](http://www.statecoverage.net)

12

# Vermont

## Financing

- Individual premiums
- New tobacco taxes
- Employers (ERs) pay \$365 annual fee per FTE based on:
  - ERs w/o plan pay fee for:
    - All employees
  - ERs w/ plan pay fee for:
    - Ineligible employees
    - Employees w/o coverage
- Possible federal funds

## Responsibilities

- State will subsidize premiums on a sliding scale for individuals <300% FPL
- Premium responsibilities of the insured:

<u>Individual Income</u>	<u>Monthly Premium</u>
Below 200% FPL	\$60
200-225% FPL	\$90
225-250% FPL	\$110
250-275% FPL	\$125
275-300% FPL	\$135

Sources: Recently enacted state coverage programs: Vermont, State Coverage Initiatives, [www.statecoverage.net](http://www.statecoverage.net)

Vermont Health Care Reform presentation, Susan W. Besio, Ph.D., June 2007, <http://hcr.vermont.gov/presentations>

13

# Virginia Facts

- Between 8.9% and 15.5% (632,000 – 1 million) of non-elderly Virginians were uninsured in 2005
- Approximately 60% of the non-elderly uninsured are under 200% FPL
- 71% of uninsured children are under 200% FPL
- 50% of uninsured families are not offered insurance by their employer

Source: Options to Extend Health Insurance Coverage to Virginia's Uninsured Population, JLARC, House Document 19 (2007).

14

# Virginia and the Uninsured

- An estimated \$1.45 billion in uncompensated medical care was provided to the uninsured (2005)
  - Health Care Provider Donations \$538 m
  - Medicaid Disproportionate Share Hospital (DSH) \$139 m
  - State and Local Hospitalization Fund \$ 13 m
  - Indigent Health Care Trust Fund \$ 7 m
  - Free Clinics Donations \$ 86 m
  - Other \$ 667 m
    - Workers compensation, auto and homeowner liability insurance, and miscellaneous sources
- Insured patients likely pay more for their health care to cover providers' uncompensated care losses

Source: Options to Extend Health Insurance Coverage to Virginia's Uninsured Population, JLARC, House Document 19 (2007).

15

# Virginia Medicaid Reforms

- Medicaid's major pharmacy initiatives to improve patient care and control costs
  - Effective 2004
- Enhanced Smiles For Children
  - Effective July 1, 2005
- FAMIS Mom's eligibility up to 166% FPL
  - Program effective August 1, 2005
  - Initial eligibility up to 150% FPL (increased in 2006)

Source: Biennial Report of the Board of Medical Assistance Services, Department of Medical Assistance Services, December 2006.

16




# Virginia Medicaid Reforms

---

- Revamped FAMIS Select
  - Provides \$100 per month/per FAMIS eligible child for families that enroll their children in a private or employer-sponsored health plan instead of FAMIS
  - Effective August 1, 2005
- Programs for All-Inclusive Care of the Elderly (PACE)
  - October 10, 2006, Governor Kaine announced 6 grant recipients
  - DMAS has requested applications for a Northern Virginia site

Source: Biennial Report of the Board of Medical Assistance Services, Department of Medical Assistance Services, December 2006. 17


# Virginia Medicaid Reforms

---

- Chronic Obstructive Pulmonary Disease (COPD) added to the Healthy Returns disease management program
  - Expansion announced in January 2006
- Utilization of electronic funds transfer for payments increased
- Long Term Care partnership
  - Effective September 1, 2007

Source: DMAS presentation to JCHC, "Update on Medicaid Reform & Long Term Care Initiatives", August 16, 2007.

18

# Virginia Medicaid Reforms

- Regional model for service integration
  - Ranges from capitated payment system for acute care with care coordination to fully capitated system for all acute and long term care services
  - Began phased rollout starting September 1, 2007
- Expansion of managed care
  - Medallion II into Lynchburg region
    - 14,000 eligible enrollees
    - All of Virginia now covered by Medallion II except far southwest and portions of western border with Virginia
    - Effective October 1, 2007

19

Source: DMAS presentation to JCHC, "Update on Medicaid Reform & Long Term Care Initiatives", August 16, 2007.

# Governor's Health Reform Commission

- Focus areas:
  - Health Care Workforce
  - Access to care
  - Quality
  - Transparency
  - Prevention
  - Long Term Care
- Recommendations will be presented to JCHC  
October 26th

20